

# Local Privilege License Taxes

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# Local Privilege License Taxes

1. **What** are they?

2. **Who** can *levy* the tax and  
who can *be* taxed?

3. **How** is the tax calculated?

# Local Privilege License Taxes

## 1. What are they?

A tax on the **privilege** of doing business within a city/county

# Local Privilege License Taxes

- Revenue source, not a regulatory scheme
- Not a legal “stamp of approval” for a business
- Privilege License = receipt

# Local Privilege License Taxes

2. **Who** can *levy* the tax and  
who can *be* taxed?

# Local PLT's Since 1997

- Broad authority for cities
  - *\$54 million in 2011-12*
- Extremely limited authority for counties
  - *\$500,000 in 2011-12*

# 300 Cities Levy PLTs

- \$62 million collected in 2011-12
- Half collect < \$10,000
- 40 collect > \$100,000
- 18 collect > \$500,000

# Significant Revenue Source For Some Cities

- Charlotte: \$16.9 million
- Raleigh: \$7.6 million
- Greensboro: \$3.3 million
- Winston-Salem: \$3.1 million
  
- High Point: \$2.3 million
- Lumberton: \$1.4 million
- Hickory: \$1.1 million



# Local PLT's Since 1997

- Schedule B: Nickname for collection of privilege license tax limitations and exemptions
- 30 **repealed** statutes still control
  - No text available!



# Local PLT's Since 1997

- **Municipalities**

- **Broad authority** to levy PLT's on all businesses except as limited by 30 repealed Schedule B provisions
- §160A-211



# Local PLT's Since 1997

- **Counties**

- **Limited authority** to levy PLT'S on certain businesses only as permitted by 11 repealed Schedule B provisions
- §153A-152



# “Schedule B”

- Auto Dealers: \$25
- Gas Stations: \$12.50
- Building Contractors: \$10
- Banks: No local PLTs
- Attorneys & Doctors: No local PLTs

# “Schedule B”

- If no Schedule B cap or restriction on local PLTs,
  - Counties may **not** tax the business
  - Cities may tax the business in **any reasonable manner**

# “Schedule B”

- No general caps or exemptions for city privilege license taxes on:
  - Grocery stores
  - Home improvement & department stores
  - Manufacturers & food processors
  - Software developers

# City PLT Options

- Schedule B businesses:
  - Flat rate up to statutory maximum
- All other businesses:
  - Flat rate
  - Gross Receipts
  - Any other reasonable method (*# of employees*)

# Gross Receipts

- No statutory guidance on how to calculate
- Apportionment problems with businesses operating in multiple cities
- Example: Landscaper
  - HQ in Durham
  - Clients in 5 different cities
  - What are the gross receipts for Durham PLTs?



# Sample City PLT Provisions For Retailers

- **Gross Receipts**
  - Durham:
    - \$50 up to \$15,000, then 50¢ per \$1,000
    - No maximum tax
  - Charlotte:
    - 60¢ per \$1,000
    - \$10,000 max tax
- **Flat Fee**
  - Dunn: \$30 per retailer

# How to Tax **Target?**

- Bicycles (\$25 max)
- DVDs (\$25)
- Computers, calculators (No tax)
- Ice Cream (\$2.50 max)
- Motor Oil/Auto Accessories (\$12.50 max)
- Restaurant (\$42.50)
- Barber Shop/Beauty Salon (\$2.50 per stylist)
- Vending Machines (????)
- Chain Store (\$50)
- Plus . . **Gross Receipts on all other sales**



# How to Tax **Target**?

- SuperTarget store with \$50M receipts
  - Durham: \$25,000
  - Charlotte: \$10,000
  - Dunn: \$400



# Gross Receipts Tax Examples

| City          | Rate  | Maximum Tax |
|---------------|---|-------------|
| Durham        | \$50 for first \$15,000, then \$.50 per \$1,000 | None        |
| Waxhaw        | \$30 up to \$200,000, then \$.15 per \$1,000    | None        |
| Charlotte     | \$.60 per \$1,000                               | \$10,000    |
| Kannapolis    | \$60 up to \$400,000, then \$.60 per \$1,000    | \$10,000    |
| Cary          | \$100 up to \$100,000, then \$.60 per \$1,000   | \$5,000     |
| Wesley Chapel | \$15 up to \$5,000, then \$.40 per \$1,000      | \$5,000     |
| Statesville   | \$155 up to \$100,000, then \$.225 per \$1,000  | \$2,500     |
| Washington    | \$50 up to \$25,000, then \$.80 per \$1,000     | \$1,500     |

# Internet Sweepstakes

- Lots of litigation in 2012-13 concerning:
  - Criminal law ban on sweepstakes (GS 14-306.4)
  - PLTs on sweepstakes

# Ban on Internet Sweepstakes

- December 2010: ban takes effect, injunction immediately issued
- December 2012: NC Supreme Court rejects First Amendment challenge and upholds ban

# Ban on Internet Sweepstakes

- Some sweepstakes close, many tweak systems and remain open

# PLTs on Internet Sweepstakes

- March 2013: NC Supreme Court strikes down Lumberton's PLTs on sweepstakes
  - \$5,000 location / \$2,500 per machine
- June 2013: NC Ct of Appeals strikes down Fayetteville's PLTS on sweepstakes
  - \$2,000 location / \$2,500 machine



# PLTs on Internet Sweepstakes

- Some cities eliminate or reduce their PLTs on sweepstakes, others keep them steady